

MEMORANDUM

SUBJECT: Proposed Rule: Oil and Natural Gas Sector: Emission Standards for New, Reconstructed, and Modified Sources Review (Tier 1; SAN 6616; RIN 2060-AT90) -- **ACTION**
MEMORANDUM

FROM: William L. Wehrum
Assistant Administrator (6101A)

THRU: Office of Policy (1803A)
Office of Executive Secretariat (1105A)

TO: Andrew R. Wheeler
Acting Administrator (1101A)

PURPOSE

Attached for your signature is a proposed rule that includes several policy amendments to the 2016 final rule, “Oil and Natural Gas Sector: Emission Standards for New, Reconstructed, and Modified Sources.” These proposed amendments are the result of our review of the 2016 new source performance standards (NSPS). This proposal includes reduced burden for the source category.

DEADLINE

We are requesting the Administrator’s signature of the *Federal Register* notice by DATE. This expedited schedule will allow us to take public comment on, and finalize, this review in a timely manner in order to provide certainty to the regulated industry.

OVERVIEW

On June 3, 2016, we published a final rule titled “Oil and Natural Gas Sector: Emission Standards for New, Reconstructed, and Modified Sources.” This rule establishes NSPS for volatile organic compound emissions and greenhouse gas emissions from various equipment throughout the industry, including fugitive emissions at well sites and compressor stations.

On August 2, 2016, several interested parties submitted administrative petitions to the agency seeking reconsideration of various aspects of the rule, including the fugitive emissions requirements. The EPA granted reconsideration and on October 15, 2018, proposed revisions to the rules based on the reconsideration and addressed technical and implementation issues.

In accordance with the Energy Independence Executive Order, also on March 28, 2017, the EPA Administrator signed a *Federal Register* notice announcing that the agency is reviewing the 2016 Oil and Gas New Source Performance Standards, and, if appropriate, will initiate proceedings to suspend, revise, or rescind it. On April 4, 2017, EPA further explained that: “If the EPA’s review concludes that

suspension, revision, or rescission of this Rule may be appropriate, the EPA's review will be followed by a rulemaking process that will be transparent, follow proper administrative procedures, include appropriate engagement with the public, employ sound science, and be firmly grounded in the law."

From this review, EPA has determined that the 2016 NSPS OOOOa imposes redundant requirements. Accordingly, EPA is acting to rescind those requirements while maintaining health and environmental protections from appropriately identified emission sources within the regulated source category. Specifically, EPA is proposing to take two actions. First, EPA is proposing to remove sources in the transmission and storage segment from the source category and to rescind the NSPS requirements applicable to those sources. Second, EPA is proposing to rescind the methane requirements of the NSPS applicable to sources in the production and processing segments. As an alternative to these two proposed actions, EPA is proposing to rescind the methane requirements of the NSPS applicable to all oil and natural gas sources without removing any sources from the source category.

ANTICIPATED PUBLIC AND STAKEHOLDER RESPONSE

We anticipate industry will have a positive reaction to this decision. Environmental organizations are expected to have a negative reaction to this decision. We anticipate the reaction from states to be mixed: oil and gas producing states with a regulatory program will have a positive reaction, and a number of other states which have petitioned the agency alongside environmentalists, will have a negative reaction to this decision.

INTERNAL DEVELOPMENT AND REVIEW PROCESS

The proposed rule was developed under the Tier 1 rulemaking process. Development of this action has been coordinated with OP, OGC, ORD, OECA and Regional offices. All internal comments have been considered and changes, where appropriate, have been incorporated into this action. OGC concurred with this action on DATE.

INTERAGENCY REVIEW

Under Executive Order 12866, OMB determined this proposed rule to be a "significant" regulatory action. Therefore, this action was submitted to OMB for interagency review. OMB cleared this action on DATE.

IMPACTS

The costs and benefits of this action are summarized in the Regulatory Impacts Analysis located in the docket for this rulemaking.

STAKEHOLDER INVOLVEMENT

During the development of this rule, we received input and feedback from stakeholders, including industry groups.

PEER REVIEW

There were no influential or highly influential products supporting this action as defined by the agency's *Peer Review Handbook*.

RECOMMENDATION

I recommend that you sign the attached proposed rule for publication in the *Federal Register*.

Attachment

Internal Deliberative Document - Do Not Cite, Quote or Distribute